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SUBJECT: Staffdel Halpin: Thoughts on Chen Shuibian, Social Stability, and Kim Jong-Il

REFERENCE: 05 GUANGZHOU 32000

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1. (SBU) SUMMARY: Chen Shuibian's pledge to abolish the national unification council and guidelines was the first step in a dangerous political game and has outraged mainland academics, said scholars at China's largest Taiwan Research Institute during a recent visit by Dennis Halpin, professional staff member of the U.S. House International Relations Committee. Taiwanese businessmen in Xiamen are also united in their disapproval of Chen's actions and would like to see the U.S. government publicly reprimand him. Separately, NGO representatives said the roots of social instability in China lie in corruption by rural officials. Kim Jong-Il's reasons for visiting Guangzhou, Shenzhen, and Zhuhai in January 2006 are still unclear, though it seems likely he is planning a gradual economic reform program, according to a contact at the South Korean consulate in Guangzhou. Another possible motive to visit Zhuhai may have been to establish a new banking network following the recent U.S. crackdown on a Macau bank that held illicit North Korean funds. END SUMMARY

Scholars See Chen's Actions as Self-Serving  
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2. (SBU) During a February 23-25 visit to Guangzhou and Xiamen, located on the mainland side of the Taiwan Straits, Halpin discussed cross-straits relations at Xiamen University's Taiwan Research Institute. Scholars at the institute, which is the first and largest of its kind in China, discussed Chen Shuibian's pledge to abolish the unification council and guidelines (the visit took place just prior to Chen's February 28 approval of a decision by the National Unification Council that calls for the National Unification Guidelines to "cease to apply"). According to Assistant Director Li Peng, Chen's statements should be seen in the context of Taiwan's recent municipal and county elections, in which Chen's party (DPP) suffered losses. Chen is a lame-duck president and is unlikely to have any significant impact over the next two years, and is therefore looking to increase his political profile and take on the

mantle of the independence movement, said Li. Chen has three likely intentions: begin a radical reversal of his "Four Nos" pledge in 2000; provoke a strong reaction from the mainland in order to gain political supporters in Taiwan; and force the United States to side with Taiwan during U.S.-China negotiations ahead of PRC President Hu Jintao's planned April visit to the United States.

13. (SBU) Halpin and Li agreed that Chinese leaders have become more subtle in their dealings with Taiwan in recent years, and Li said China's reaction in this case would not be aggressive. Li expects that Chinese leaders are closely watching the reaction of the United States, with the hope that high-level U.S. leaders -- Secretary Rice in particular -- will publicly condemn Chen's statements. Professor Lin Jing said Chinese leaders need to fashion two separate messages for Taiwan: a strong condemnation for Chen and a more accommodating response for the Taiwanese people. Another scholar equated Chen's comments to former Taiwan President Lee Tenghui's 1999 remarks that cross-straits relations should be "state-to-state," to which the Chinese government responded with military exercises. Lin remarked that Chen has learned from Kim Jong-Il's handling of its relations with the United States, Japan, and South Korea and has implemented a similar policy with regard to Taiwan: a stable cross-strait relationship does not benefit Taiwan, and tensions work to focus international attention on the region. Li added that he planned to visit Taiwan in March and would speak with politicians and scholars on this issue. At the end of the meeting he gave Halpin a letter from the director of the institute, Liu Guoshen, that called on the United States to maintain the status quo and not give Taiwanese politicians "unrealistic expectations." During a separate visit to the Guangzhou Party School, President Wang Yongping said Chen's comments were regrettable but should be handled peacefully. He stated that Chinese people should not shed the blood of Chinese people.

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#### Taiwanese Businessmen Disapprove As Well

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14. (SBU) During a dinner in Xiamen with Halpin and Congenoffs, four Taiwanese businessmen who live and work in Xiamen not unexpectedly showed little sympathy for Chen and echoed the scholars in their views of Chen's intentions. One of businessmen said Chen was stirring up trouble for political advantage. Three of the businessmen said the United States should "do something." When asked how the United States should respond, one of them said the United States should withdraw the director of the American Institute of Taiwan as a symbolic and high-profile gesture. Another likened Taiwan's largely symbolic National Unification Council to a person's appendix -- one does not notice it until it causes trouble. The businessmen estimated that of the 600 members of Xiamen's Taiwan Business Association, only 10 to 20 are Chen supporters, and they keep their opinions to themselves. One of them added that mainland officials probably keep track of the political attitudes of prominent Taiwanese businessmen. (Pro-Chen business supporters in China have faced difficulties in the past after their views have been made public.)

#### Taiwanese Businesses Are Still Welcome Here

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15. (SBU) In a subsequent meeting with Xiamen's Taiwan Affairs Office, Deputy Director Wang Mingshui said Chen's statements were "dangerous" and expressed hope that the United States would pressure Chen to moderate his actions. Wang said his office has an excellent working relationship with the 60,000 Taiwanese who live and work in Xiamen. Xiamen has three of China's four "Taiwan investment zones", which offer inexpensive land and tax breaks to Taiwanese investors (Shanghai has a fourth). The industrial output of

the city's 2,300 Taiwanese businesses account for 45 percent of Xiamen's total industrial output. Wang said Xiamen has a law that guarantees the rights of Taiwanese investors and mandates a special office to provide services such as information on regulations and area schooling. To illustrate the city's good will toward Taiwanese businessmen, he said that during an energy shortage in 2004 the city exempted Taiwanese businesses from energy-saving measures.

#### The Roots of Rural Unrest in South China

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¶6. (SBU) Four NGO leaders and academics discussed with Halpin and Congenoffs the effect of corruption and poor government management on social stability in South China. Liu Wenjing, associate professor, Jinan University, said NGO's in Guangdong primarily focus on one of two issues: migrant labor and charitable giving. Guangdong is home to more than 30 million long-term migrant laborers, many of which live in the factory-intensive Pearl River Delta. Yao Yuanguang, who runs an NGO that provides information on how to establish other NGOs, said creating a truly grass-roots organization is a difficult and frustrating endeavor. He said most NGO's are semi-official and therefore vulnerable to government meddling. On the subject of social stability, Wang Yunxiang, professor and NGO researcher at the Guangdong University of Foreign Studies, said one of the causes of rural unrest is wealthy families that accumulate power and use hired thugs to put down opposition. In addition, factory owners sometimes bribe local officials to ignore environmental damage that hurts citizens. The participants noted a law that is currently before the National People's Congress that would for the first time allow prosecutors to sue companies for environmental damage.

#### The Role of the Press

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¶7. (SBU) In a separate meeting, Deputy Editor Liu Hailing of the Guangzhou newspaper Yangcheng Evening News said the Chinese media plays a vital role in shedding light on government misconduct. He cited his paper's reporting on coal mine accidents and the subsequent attempts by local governments to cover up their responsibility. He said the

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Chinese government has tightened controls on Internet media during the past two years, and has justified these controls -- not without reason -- as efforts to reduce pornography and pyramid schemes. Liu said the Guangdong government has been forced to take a more sophisticated approach to dealing with the media and public relations. He cited the December 2005 incident in Dongzhou, Guangdong, in which soldiers killed approximately 10 townspeople who were protesting government plans to build a thermal power plant (see Reftel). The government was initially silent on the matter, but then decided to hold a press conference to counter distortions in the international media. In a separate meeting, Guangzhou Party School President Wang Yongping brushed aside questions on rural unrest in South China, saying such incidents are isolated and rare, a surprising statement in light of the fact that two headlined protests in China were in Guangdong (Taishi and Dongzhou) and the Ministry of Public Security announced that China had 87,000 incidents of large-scale protest in China in 2005, an 18 percent increase over 2004. He said economic growth is built on social stability, and conditions in South China are stable.

#### Kim Jong-Il's Opaque Intentions

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¶8. (SBU) During a meeting at the South Korean Consulate in Guangzhou, Consul Ku Taehoon said Kim Jong-Il's visit to Guangdong in January 2006 may indicate that he intends to

initiate gradual economic reform in North Korea. Kim's visit closely mirrored earlier visits to South China by former Chinese paramount leader Deng Xiaoping in 1984 and ¶1992. Ku said reforms would likely occur slowly, beginning in a few select locations. He remarked that this strategy may be a sign of desperation on Kim's part, as the economic situation in North Korea seems to be worsening. Ku cited an unverified report that recent birthday celebrations for Kim in North Korea did not include extra food for citizens, as is typical. Kim also said he has heard rumors that Kim has a heart condition and may have sought treatment in Guangzhou. When asked what Kim did in Zhuhai, which is adjacent to Macau, Ku said he reportedly met with North Korean businesses. Halpin noted that the trip took place only a few months after the United States identified Macau's Banco Delta Asia as a launderer of illicit North Korean profits generated from the use of counterfeit U.S. currency. He raised the possibility -- not previously contemplated by either Ku or Halpin -- that Kim may be interested in establishing new banking channels in Zhuhai in order to resume laundering funds.

Comment

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¶9. (SBU) Scholars at the Taiwan Research Institute are generally more nuanced in their analysis of cross-straits relations than other mainland observers and are less vehement in their denunciations. Thus it is likely that when they display the clear animosity toward Chen that we observed, analysts and politicians in other parts of the country are fuming. The benefits that Taiwan investment brings to South China add a dose of reality to the issue, however, and we saw no sign that the relationship between local officials and Taiwan businesspeople has soured.

¶10. (U) Mr. Halpin has cleared this cable.

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